



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

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|-------------------------|------------------|----------------|---|
| Bill # | HB0845 | Title: | Changing point of taxation of motor vehicle fuels |
| Primary Sponsor: | Musgrove, John L | Status: | As Introduced |

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2008 Difference</u> | <u>FY 2009 Difference</u> | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$2,095,464 | \$2,102,683 | \$2,103,598 | \$2,104,535 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$3,572,154 | \$4,762,872 | \$4,762,872 | \$4,762,872 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact: This bill will produce additional revenues to the Highway State Special Account and increase appropriations for secondary roads in Montana.

FISCAL ANALYSIS

Assumptions:

1. This bill eliminates the 1% collection allowance and moves the point of taxation of motor fuel from the distributor level to the terminal level.
2. The collection allowance in the past two fiscal years (FY 2005 & FY 2006) was \$2,032,747 and \$2,066,097 under current law. The collection allowance is assumed to stay constant for FY 2008, FY 2009, FY 2010, and FY 2011 at \$2,066,100.
3. The bill is effective October 1, 2007 or 3/4 of a fiscal year. The collection allowance eliminated is \$1,549,575 in FY 2008 (3/4 x \$2,066,100) and \$2,066,100 in FY 2009, FY 2010 and FY 2011.

4. The bill appropriates \$2,066,100 annually to the state-funded construction program to be expended solely on secondary roads of Montana.
5. A recent study completed by a nationally known research company, Battelle, to determine the current rates of motor fuel tax evasion for the State of Montana estimates Montana is losing \$2.7 million in gasoline tax and \$12 million in diesel tax due to errors, omissions and evasion (EOE).
6. It is assumed that this bill will decrease the loss in tax revenue due to errors and omissions. The assumption is that 20% of the total tax loss is due to these errors.
7. The increase in gallons of gasoline taxed is estimated to be 1,528,200. This was estimated by taking 20% of the gallons from the “Gasoline gallons not reported” and “Other Schemes” from the Battelle report ($20\% \times (1,274,000 + 6,367,000) = 1,528,200$). The tax revenue increase from taxing these gallons is estimated to be \$412,614 ($1,528,200 \times \$0.27 = \$412,614$).
8. Increased gasoline tax revenue would be \$412,614 per year except for FY 2008 which will be \$275,076 ($\$412,614 \times 3/4 = \$309,460$).
9. The increase in gallons of diesel taxed is estimated to be 8,231,200. This was estimated by taking 20% of the gallons from the “Diesel gallons not reported”, “Motor Carrier Errors, Omissions, and Evasion and “Other Schemes” from the Battelle report ($20\% \times (6,995,000 + 10,511,000 + 23,650,000) = 8,231,200$). The total of these is 8,231,200 diesel gallons equaling \$2,284,158 ($8,231,200 \times .2775$).
10. Increased diesel tax revenue would be \$2,284,158 per year except for FY 2008 which would be \$1,522,772 ($\$2,284,158 \times 3/4 = \$1,713,119$).
11. The total tax revenue increase from increase in gallons of gas and diesel taxed is projected to be \$2,022,579 ($\$309,460 + \$1,713,119$) in FY 2008 and \$2,696,772 ($\$412,614 + \$2,284,158$) in FY 2009 through FY 2011.
12. The bill taxes all exports and requires that the exporter come in for a refund of motor fuel tax. An FTE is required to process these refunds and verify with the other states that the motor fuel tax was paid before a refund is processed.

| | <u>FY 2008</u> <u>Difference</u> | <u>FY 2009</u> <u>Difference</u> | <u>FY 2010</u> <u>Difference</u> | <u>FY 2011</u> <u>Difference</u> |
|---|---|---|---|---|
| <u>Fiscal Impact:</u> | | | | |
| FTE | 1.00 | 1.00 | 1.00 | 1.00 |
| <u>Expenditures:</u> | | | | |
| Personal Services | \$29,364 | \$36,583 | \$37,498 | \$38,435 |
| Operating Expenses | <u>\$2,066,100</u> | <u>\$2,066,100</u> | <u>\$2,066,100</u> | <u>\$2,066,100</u> |
| TOTAL Expenditures | <u><u>\$2,095,464</u></u> | <u><u>\$2,102,683</u></u> | <u><u>\$2,103,598</u></u> | <u><u>\$2,104,535</u></u> |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | <u>\$2,095,464</u> | <u>\$2,102,683</u> | <u>\$2,103,598</u> | <u>\$2,104,535</u> |
| TOTAL Funding of Exp. | <u><u>\$2,095,464</u></u> | <u><u>\$2,102,683</u></u> | <u><u>\$2,103,598</u></u> | <u><u>\$2,104,535</u></u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | <u>\$3,572,154</u> | <u>\$4,762,872</u> | <u>\$4,762,872</u> | <u>\$4,762,872</u> |
| TOTAL Revenues | <u><u>\$3,572,154</u></u> | <u><u>\$4,762,872</u></u> | <u><u>\$4,762,872</u></u> | <u><u>\$4,762,872</u></u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$1,476,690 | \$2,660,189 | \$2,659,274 | \$2,658,337 |

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date